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Services

**PROTECTING NONAPPROPRIATED FUND
ASSETS**

COMPLIANCE WITH THIS PUBLICATION IS MANDATORY

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This instruction implements AFR 34-2, *Managing Nonappropriated Funds*. It establishes responsibilities, authorities, and procedures for controlling and protecting cash and other nonappropriated fund assets. It applies to all Air Force nonappropriated fund instrumentalities (NAFI) as described in AFI 34-201, *Using Nonappropriated Funds (NAFs)*. It also applies to all Air Force Reserve, Air Force National Guard, and Air Force Reserve Officer Training Corps personnel when they are on federal active duty. The Board of Directors, Army and Air Force Civilian Welfare Fund (AAFCWF), has approved the use of this instruction by base restaurant funds (BRF) and base civilian welfare funds (CWF), provided guidance does not conflict with AFJI 34-122, *Civilian Nonappropriated Funds (NAFs) and Morale, Welfare, and Recreation (MWR) Activities*. In cases of conflict, AFJI 34-122 takes precedence. Private organizations, authorized to operate on Air Force installations, are not under the operational control of the Air Force; however, the Air Force recommends that they use the principles in this instruction as a guide when handling cash or property assets. (See AFI 34-123, *Private Organizations Programs*.) See **Attachment 1** for a list of abbreviations and acronyms used in this AFI.

SUMMARY OF REVISIONS

This AFI includes new position titles and aligns the office symbols with the current organization; removes detailed procedures for protection of NAF assets and places that information in AFMAN 34-212, *Control Procedures for Protecting NAF Assets*, or AFMAN 34-129, *Air Force Slot Machine Controls and Procedures*; removes the figures and attachments; deletes the chapter on reviewing and reporting internal controls and replaces it with instructions to implement requirements established in AFR 65-2, *Internal Management Controls*, and AFI 65-201, *Air Force Internal Management Controls*.

Chapter 1

ADMINISTRATION, PROCEDURES, AND RESPONSIBILITIES

1.1. General Information. All Department of Defense personnel paid with either appropriated funds (APF) or nonappropriated funds (NAF) have an individual fiduciary responsibility for properly using NAFs. Each Services Squadron member must protect all assets under his or her control against misappropriation, misuse, damage, or loss. For a complete understanding of the internal control process, see DoD Directive 5010.38, *Internal Management Control Program*, 14 Apr 87, and Change 1 ; *OMB Circular A-123, Revised, Internal Control Systems*; and AFI 31-209 , *Air Force Resource Protection Program*; AFPD 65-2 , *Internal Management Controls*, and AFI 65-201 , *Air Force Internal Management Controls*. AFI 34-208 , *Property and Casualty Insurance*, provides instructions for recoupment of losses through the insurance program..

1.2. Responsibilities. The custodian provides direction and assistance for the protection of NAFI assets. At base level, the Resource Management Flight Chief (RMFC) is the single custodian for all NAF assets, unless another individual is appointed as AFI 34-201 prescribes. The Base Restaurant Fund Manager and the Civilian Welfare Fund Custodian are the custodians of their respective civilian NAFIs. This instruction refers to the RMFC as the custodian unless otherwise specified.

1.2.1. Maintain accountability and responsibility for civilian NAFI assets as AFJI 34-122 , *Civilian Nonappropriated Funds and Morale, Welfare, and Recreation Activities* requires.

1.2.2. The NAF Accounting Office (NAF AO) provides accounting support to the Services Squadron.

1.2.3. The Security Police and other responsible agencies provide staff and operational assistance as required. Everyone responsible for, or directly concerned with, the security of NAF resources must use this instruction, AFMAN 34-212, AFI 31-209 and AFHB 31-209 , *Air Force Resource Protection Program, Volumes I, II, and III*.

1.3. RMFC Responsibilities.

1.3.1. Obligating Funds. Although RMFCs may delegate certain responsibilities, such as obligating NAFs, they remain responsible for the propriety and accountability of each action. The RMFC or designee must make sure that present or future revenue will cover all financial obligations before authorizing funds. The Air Force may hold RMFCs liable for NAFI losses (see [Chapter 6](#)) or for unauthorized obligations. The Air Force also holds the RMFCs accountable for all delegated responsibilities and actions.

1.3.2. Accounting Systems and Procedures. The RMFC maintains the accounting systems and verifies accounting procedures are according to AFI 34-209 instructions.

1.4. Internal Control Procedures. The RMFC ensures that managers implement internal control procedures for protection of NAFI assets.

1.5. Internal Management Control Reviews (IMCR). The RMFC (as custodian, and as Internal Management Control Program focal point, if appointed) prepares, directs, and reviews IMCRs. See [8.2.5](#), paragraph 8.2.5 and AFMAN 34-21 2.

1.6. Forms. HQ AFSVA/SVFA approves requests for changes to Air Force forms prescribed in this instruction. The Services Squadron (SV) may automate the AF and NAF forms if form content and requirements do not change on a form.

1.7. Supplements. Major Commands (MAJCOM) and field operating agencies (FOA) send proposed supplements to this instruction to HQ Air Force Services Agency, Directorate of Financial Management and Comptroller, (HQ AFSVA/SVF), 10100 Reunion Place Suite 400, San Antonio TX 78216-4138, for approval before publishing. After publishing, send a copy of the supplement to HQ AFSVA/SVF and HQ USAF/SV, 1770 Air Force Pentagon, Washington DC 20330-1770.

1.7.1. BRFs or CWFs send proposed supplements involving their organizations to the AAFCWF, 21 Army, Pentagon, Washington DC 20310-0021 for approval. After approval, send a copy to HQ AFSVA/SVF.

1.7.2. MAJCOMs and FOAs review and approve or disapprove proposed installation-level supplements before publishing.

1.8. Requests for Technical Assistance. Submit requests for clarification or interpretation of this instruction through the MAJCOM/SVF or FOA to HQ AFSVA/SVF. Forward requests concerning the applicability of this instruction to BRFs and CWFs to the Board of Directors, AAFCWF, 21 Army Pentagon, Washington DC 20310-0021 with an information copy to HQ AFSVA/SVF.

1.9. Waivers. Activity and functional managers may request waivers to this instruction. There are two types of waivers:

1.9.1. Local Waivers. Authorized according to AFI 34-201 where specifically stated in the text of this instruction. The installation commander has approval authority for waivers granted locally through the custodian or SV commander or director, as applicable. The SV commander or director reviews waivers annually, and when circumstances change, and determines if the waiver is still required. The SV commander or director documents review results in a letter to the installation commander. It is not necessary to seek approval on an annual basis for waivers the review determines are still valid.

1.9.2. HQ AFSVA/SVF Waivers. For circumstances that do not permit local waivers, requests must be approved by HQ AFSVA/SVF. The custodian or SV commander or director submits waiver requests through the MAJCOM/SVF or FOA to HQ AFSVA/SVF. For BRFs and CWFs, forward waiver requests to the Board of Directors, AAFCWF, 21 Army Pentagon, Washington DC 20310-0021, with an information copy of the request provided to HQ AFSVA/SVF.

1.9.3. Each waiver request, whether granted locally or requiring submission to HQ AFSVA/SVF must:

- Outline the problem.
- Identify the specific policy requiring a waiver.
- Identify how the waiver provides a solution, and
- Furnish complete justification.

1.9.4. Waivers to this instruction are not valid without a control number assigned by the approving authority. Reaccomplish all waivers in effect before the date of this instruction as this publication renders them void.

1.9.5. Waivers are valid for up to but not exceeding 3 years. Submit a request for a new waiver after 3 years if the conditions requiring the waiver still exist.

1.10. Disposition of Records. Establish and maintain files according to AFI 37-138 , *Records Disposition-Responsibilities*. Dispose of Privacy Act records promptly according to AFI 37-132 , *Air Force Privacy Act Program*.

Chapter 2

PHYSICAL SAFEGUARDS

2.1. Protection of Cash. The RMFC approves adequate safeguards for the protection of cash and ensures:

- Only authorized personnel are permitted access to cash, including that in locked containers or stored in safes.
- Individuals sign receipts to establish accountability for cash and property transferred to their custody.
- Individuals do not store or commingle personal funds with NAF cash, even if separate containers are used.
- Cash is not stored in a safe designated for classified material.
- That there are written operating instructions (OI) used for handling and safeguarding cash. OIs must include procedures to follow when duress alarm systems fail.

2.2. Fund Storage Limits. The installation commander approves fund storage limits in accordance with AFI 31-209. The NAF AO and activity keep a record of all fund storage limits.

2.3. Requirement for Intrusion Alarms. The Security Police manage intrusion detection systems (IDS) and duress alarms. The RMFC and activity managers consult the Security Police to determine individual requirements for alarm systems to protect NAF assets. See AFMAN 34-212 and AFI 31-209 for IDS and duress system requirements.

2.4. Cashiers' Area. The design of the cashier area serves two purposes: identification and security. It tells customers where to get service, protects funds, related documents and forms while in the care of the general cashier, and reduces interference by other personnel. The activity manager ensures that:

- Unauthorized people don't have access to the main cashier and cashier's check-cashing areas.
- The work area is large enough to separate the general cashier fund and the check-cashing cashier funds.
- The area has a key or an electronically controlled lock entry, at least one cashier window, one cash drawer that locks with a key, and at least one authorized safe. See AFMAN 34-212 for additional requirements.

2.5. Cashiers' Responsibilities. Before leaving the work area, cashiers:

- Lock funds in the cash drawer or safe and secure documents and forms and the entrance to the cashier's cage if leaving the immediate work area but remaining in the general area.
- Secure documents and forms in a locked safe or drawer and secure the entrance to the cashier's cage if leaving the general area. If the cashier is being relieved or departing the area, he or she must pass on or secure the funds, documents, forms, and cashier's cage according to local cash control OIs.

2.6. Fund Containers. Activities use locked safes (see AFI 31-209) for temporary unattended storage of cash assets awaiting bank deposit, or for overnight storage of change funds for the next day's activities. The activity manager or designee must be present, in a position of effective safeguard, when a safe is left open for temporary access to cash assets. Change safe combinations as AFI 31-209 and base OIs require.

2.7. Cash Registers. Use cash registers in activities where the volume of regular cash receipts is \$1,000 or more per month. Activities with cash receipts of less than \$1,000 per month may use a locking cash box. Do not use cash registers to store cash during nonoperating hours.

2.7.1. Managers must observe cash registers and cash boxes to be sure they are secure and that unauthorized people cannot gain access to them when they contain cash.

2.7.2. Managers ensure cashiers receive training on required internal control procedures. See AFMAN 34-212.

- Cashiers ring up each sale in view of the customer. When the cash register provides a **kick-out** tape, the cashier gives each customer a receipt. ***Note: When registers that can't provide customer receipts become unserviceable, the manager replaces them with registers that have a kick-out tape capability.***
- Operations that use a system of guest checks or other customer receipt media need not use **kick-out** tapes. See AFMAN 34-212 for conditions to waive use of customer receipts.
- Cashiers must not adjust an incorrectly rung sale on a subsequent sale. Managers instruct cashiers to account for an error using AF Form 645, **NAF Cash Register Adjustment**; annotate the cash register tape to flag the error, and attach to AF Form 1875, **NAF Individual Cashier's Report**.

2.7.3. In most instances, more than one cashier must not work out of a single cash register drawer. However, this is permitted in small activities (total annual revenue under \$12,000, with relatively few personnel), or on an exceptional case-by-case basis in larger activities when necessary in the interest of customer service.

2.7.3.1. The RMFC designates, in writing, those activities authorized to operate with more than one cashier per drawer with adequate controls to safeguard funds and provide a satisfactory audit trail of accountability.

2.7.3.2. The RMFC, working with the NAFFA, prepares an OI to ensure internal control of cash when more than one cashier operates from a single drawer. Keep written authorization at the activity and file a copy in the NAF AO maintained Life-of-the-Fund (LOF) file.

2.7.4. The activity manager controls cash register reset and read keys according to AFMAN 34-212.

2.8. Use of Marked Money. AFI 31-209 outlines specific conditions for using marked money when storing \$7,500 or more overnight. The manager ensures that cashiers place marked money in cash drawers and safes in such a way as to avoid suspicion or alert unauthorized persons of its presence. Never staple marked money together or store separately from other funds.

2.8.1. Cashiers may use marked money during the normal course of business to make change. If used, the cashier marks different currency repeating the procedures in AFI 31-209.

2.9. Employee Conduct During and After a Robbery. Managers ensure all employees have been trained on procedures to follow when a robbery occurs. See AFMAN 34-212 for those procedures.

2.10. Fire Prevention. Activity managers must support the Air Force Fire Protection Program and comply with procedures outlined in AFI 32-2001 , *Fire Protection*.

2.11. General Building Security. Activity managers must perform regular inspections of facilities under their control. See AFHB 31-209.

2.12. Forms and Records. The NAF AO and the operating activities must provide adequate storage facilities to secure prenumbered and controlled forms, NAF general checks, or automated inventories, and accounts receivable records. A locked room satisfies this requirement.

Chapter 3

CONTROLLING CASH

3.1. Cash Control Procedures. In this instruction **cash** refers to coin, currency, traveler's checks, and all other negotiable instruments, such as blank checks, money orders, and gift certificates. Checks stamped **For Deposit Only** and unsigned checks requiring a countersignature for validation are not considered negotiable instruments.

3.1.1. Document and control checks at all times. Store blank check stock, coupons, tokens, gift certificates, and any other items easily converted to cash in a locked room, locked container, or safe. For normal minimum physical safeguards and other cash protection requirements, see AFI 31-209.

3.1.2. Managers must make sure that cashiers have no bookkeeping duties other than preparing reports and data associated with cash handling functions. Cashiers may not have access to accounts receivable records or other data used to update the general ledger or subsidiaries. **EXCEPTION:** Activities using a POS system that updates accounts receivable may permit cashiers access to these records. The MAJCOM/SVF may waive these restrictions on a case-by-case basis for small operations under their jurisdiction when compliance is not cost effective, operationally practical, or physically possible. The MAJCOM:

- Instructs the RMFC that oversees the operation to review the waiver once a year and to maintain documented evidence of the review in the LOF file.
- Sends a copy of each waiver to HQ AFSVA/SVF.
- Sends a copy of each granted waiver relating to BRFs or CWFs to AAFCWF.

3.1.3. The USAF NAF Asset Program provides coverage for losses caused by dishonest acts involving NAF assets for all NAFIs. See AFI 34-208 for coverage limits for money, securities, inventories, furniture, fixtures, and equipment.

3.2. Surprise Cash Counts. All activities use AF Form 2556, **NAF Surprise or General Cashier's Cash Count**, for surprise cash counts. The activity manager, or a designated representative, who has no involvement with the cash function, makes a surprise cash count at least once a quarter. The count includes:

- Change funds.
- Imprest funds.
- Receipts on hand.

3.2.1. The RMFC performs a quarterly surprise cash count of the central cashier.

3.2.2. At least once during the year, the NAFFA conducts a surprise cash count of all change and imprest funds at each activity within a NAFI. See AFMAN 34-212 for cash count requirements and procedures.

3.3. Bank Deposits. The SV commander or director and the RMFC ensure that managers do not accumulate more cash than they need to operate. Activity managers keep cash on hand to a minimum by making daily deposits to the central cashier or the financial institution.

3.4. Submitting AF Form 1876, NAF Consolidated Cost Center Report. The activity manager provides the NAF AO with a list of normally scheduled activities (including vending and amusement machine collections) that must submit an AF Form 1876 or automated cashier's report. The list records the number and frequency of submissions (This list is exempt from licensing according to paragraph 2.11.2 of AFI 37-124, The Information Collections and Reports (ICR) Management Program; Controlling Internal Public, and Interagency Air Force Information Collections).

3.4.1. When an activity suspends service on a normally scheduled business day, the activity manager notifies the NAF AO in writing, or submits a negative AF Form 1876 in advance. See 3.5. for exceptions to the daily deposit requirements.

3.4.2. The NAF AO uses the activity manager's list to monitor the activity's efficiency in collecting and depositing business receipts. If the AF Form 1876 or the deposit doesn't come in on schedule, the NAF AO immediately notifies the RMFC and the activity manager. Revise schedules as operations change.

3.5. Cashiers' Deposits. Most activities deposit all cash receipts daily, including checks cashed from the check-cashing change fund. Small activities which take in minimal amounts of cash (for example, fitness centers or libraries) may make deposits weekly, monthly, or whenever receipts exceed \$200 but at least monthly, by the close of business on the last day of each month. See AFMAN 34-212 for required procedures.

3.6. Central Cashier Depository. Each base establishes a central cashier operation designed to provide a one-stop service for base activities to make deposits, obtain change funds, and turn-in daily paperwork. The central cashier consolidates all activity deposits into one daily deposit for all NAFIs for deposit with the financial institution (see 7.1.). BRFs may establish a separate cashier depository for their operations.

3.7. Night Depositories. Use night depositories when your cash supply at closing time exceeds the overnight fund storage limits.

3.7.1. The SV commander, director, or the RMFC requests on-base banking facilities to install a night depository when required. Do not use NAFs to establish a depository within the on-base banking facility.

3.7.2. The RMFC may prescribe consolidated depositories to supplement the night depository. The RMFC may require some activities to deposit receipts in the night depository and place change funds in a consolidated depository (for example, a club or bowling center) when the activity doesn't have adequate security available.

3.7.3. The RMFCs on bases without night depositories must provide activities with a sui table safe and all other required security measures for storing cash during nonbanking hours.

3.8. Security Escorts. See AFI 31-209, *Air Force Resource Protection Program*, for requirements and procedures for transporting cash.

3.9. Establishing Change Funds. The RMFC or site commander (at isolated or remote locations) authorizes the establishment and the amount of all change funds subject to fund storage limitations of AFI 31-209. BRF and CWF Managers/Custodians authorize the established and amount of change funds for their activities. The RMFC provides the Nonappropriated Fund Financial Analyst (NAFFA) an updated

listing of all NAF change funds authorizations. Activities use these funds only for making change and cashing checks. **EXCEPTION:** At the discretion of the RMFC, activities and NAFIs that don't have petty cash imprest funds may use change funds and receipts for petty cash-type purchases and other imprest fund requirements. See AFMAN 34-212 for establishing and controlling change funds.

3.9.1. The RMFC establishes a slot machine change fund the activity uses for slot machine operations. See AFMAN 34-129 , *Slot Machine Controls and Procedures*.

3.10. Establishing Imprest Funds. Activities may use imprest funds only for a designated purpose with special controls and limitations. Authorized imprest funds are; petty cash fund, special activity prize fund, vending and amusement machine fund, and slot machine fund. See AFMAN 34-212 for establishing and controlling imprest funds.

3.11. Change and Imprest Fund Accountability. The RMFC establishes and maintains change and imprest fund cash accountability at all times, using AF Form 2557, **NAF Cash Receipt Voucher**, from the RMFC to the activity cashier or imprest fund custodian. The activity manager writes, and the RMFC approves, OIs establishing procedures for the use, control, and protection of all change and imprest funds. See AFMAN 34-212.

3.12. Replenishing Change and Imprest Funds. Replenish change and imprest funds according to AFMAN 34-212.

3.13. Change Fund Turn In. Activity cashiers account for all change funds. Cashiers turn in change funds following the procedures in AFMAN 34-212.

3.14. Check Cashing. The activity manager ensures information is readily available to customers on the Privacy Act provisions according to AFI 37-132, and the activity's check cashing policy. Post signs if desired. Refer to AFMAN 34-212 for controlling and cashing checks.

3.14.1. Activities do not cash their employees' NAF payroll checks unless the employee has a membership in the employing activity. This may be waived according to AFI 34-201. See AFMAN 34-212 for waiver conditions.

3.14.2. Cashiers do not cash their own checks (personal or payroll) from a change fund or cash receipts for which they are currently responsible.

3.14.3. The SV commander or director may authorize individual activities to accept checks for up to \$20 over the amount of a completed transaction. Do not grant blanket approval for all activities to cash checks over the amount of purchase. The NAF AO maintains the approval in the LOF file. See AFMAN 34-212 for approval criteria.

3.14.4. The SV commander or director with the installation commander's approval, may increase base check cashing controls and follow-up actions when conditions warrant.

3.15. Checks and Cash Received by Mail. No employee will have immediate access to cash funds while opening incoming mail and removing checks and cash. The activity manager designates an employee within the activity other than the general cashier or accounts receivable clerk to open the incoming mail and remove all checks and cash.

3.15.1. The designated employee may be a cashier (other than the general cashier), who has closed out their cashier function and turned in the receipts. When approved by the SV commander or director, the designated employee may be an employee outside the activity who does not work as a general cashier or accounts receivable clerk. The designated employee lists checks daily according to AFMAN 34-212.

3.15.2. The general cashier:

- Verifies and initials the total on the list.
- Deposits the checks.
- Prepares a single receipt for the total amount.
- Attaches the list of checks as backup.

3.15.3. The activity manager or designee:

- Develops an OI for checks and cash payments received in the mail.
- Randomly reviews and initials the list on a monthly basis to ensure all checks received become part of each day's receipts and are included in the general cashier's report.

3.16. Returned Checks. The NAF AO establishes operating procedures for the redemption of all returned checks, proper accountability for the checks, and follow-up collection actions on returned checks. The SV commander or director designates the NAF AO or individual activities as the redemption point for all dishonored checks. See AFMAN 34-212 for specific procedures to follow regarding returned checks.

3.16.1. NAF AO personnel and activity cashiers do not accept another check by the maker or endorser to cover a dishonored check. Accept only cash or money orders unless the individual provides evidence that they were not at fault, such as a letter from a banking facility acknowledging bank error caused the check to be dishonored.

3.16.2. The NAF AO follows up on all outstanding checks. Minimum time schedule for follow-up actions taken is the 6th, 16th, and 26th workday after notifying the maker or endorser. Document follow-up action and maintain copies for the files. The SV commander or director, with the installation commander's approval, may shorten the time table of events as long as it is in the best interest of the activity. See AFMAN 34-212 for follow-up procedures.

3.16.3. The activity manager or designee posts a sign at the cashiers' area stating the activity's check cashing policies and the penalties incurred on all returned checks. See AFMAN 34-212.

3.16.4. Cashiers do not accept checks from individuals on the returned check or suspension list, and they do not accept checks from individuals without proper identification. See AFMAN 34-212.

3.16.5. Persons who have issued dishonored checks (except those acknowledged as bank errors) are subject to penalties established by the SV commander or the installation commander. If the base has a regulation or other directive outlining the rules for suspending check cashing privileges, the SV abides by it. Local procedures should allow commanders to waive suspensions when appropriate. See AFMAN 34-212 for suggested minimum penalties.

3.17. NAF Service Charge For Returned Checks. The minimum mandatory service charge for all returned checks is \$15. The installation commander may approve a service charge in excess of the mini-

mum based on actual higher administrative costs of processing returned checks. The NAF service charge is in addition to any bank charge on returned checks. The RMFC:

- Ensures the service charge imposed for all returned checks is sufficient to cover the increased processing cost.
- Determines the processing costs (\$15 to \$35) associated with US dollar checks drawn on foreign banks, and considers charging a customer service fee in addition to the NAF service charge to cash these checks to cover the additional processing costs if the check is returned for insufficient funds.
- Verifies this service charge annually to ensure the administrative costs of processing returned checks support the additional charge.
- Ensures bank charges are passed on to the customer.
- Establishes adequate accounting procedures to identify administrative costs of recouping returned checks. Keep a copy of this cost analysis in the NAF AO LOF file.

3.17.1. If an individual presents written evidence that a check was returned due to circumstances not under the individual's control, the NAF AO restores the individual's check cashing privileges and reverses the service charges.

3.18. Cash Refunds. The RMFC may authorize activity managers to approve cash refunds not to exceed \$500. The RMFC ensures adequate supporting documentation and internal controls exist to substantiate cash refunds. Record refunds on AF Form 1401, **NAF Petty Cash/Refund Voucher**, or use refund vouchers programmatically produced by the automated lodging billing system. Activity managers do not approve refunds for special order merchandise that cannot readily be sold to another customer or returned to the vendor. Activity managers only approve refunds that include complete customer identification, (name, address, and telephone number) and signature. Indicate the amount, item or service, and reason for refund on the refund authorization. When authorized by the RMFC, refunds may be paid from the day's receipts or from a petty cash fund. Consider refunds paid from receipts when preparing the AF Form 1876. Attach the original refund voucher with the original sales slip (when available) to the AF Form 1875. Do not permit cash refunds for charge sales; credit a customer's account for refunded charge sales.

3.19. Disbursements. The NAF AO normally prepares prenumbered checks for disbursements, except for NAFIs (including unit funds) without NAF AO service. See AFI 34-209, *NAF Financial Management and Accounting*, for documentation supporting payments, protection of check signing equipment, control of blank checks, and check writing requirements.

3.19.1. The NAF AO may use facsimile signatures when using check signing equipment. Do not use hand rubber stamp facsimile signatures. See AFMAN 34-212.

3.19.2. The RMFC or an alternate representative signs checks. See AFMAN 34-215, *Cash and Investment Procedures*, for signature card requirements.

3.19.3. Checks for \$50,000 and over require countersignatures. The SV commander or director appoints countersignatories.

3.19.4. Do not make checks payable to **cash**.

3.19.5. The custodian or activity manager authorizes, in writing, individuals to pick up payroll and general checks. These individuals must sign for all checks before the NAF AO releases them.

3.20. NAFI-Owned Amusement, Music, and Vending Machines (Excluding Slot Machines). All NAFI-owned machines should have a meter capability and must have a 2-lock system (one lock for the machine and a separate lock for the cash box). The activity manager keeps the machine key and the NAF AO controls the cash box keys. For BRFs, the BRF Manager controls the cash box keys. The RMFC develops a comprehensive OI to cover the removal of cash and the stocking of machines. See AFMAN 34-212 for control procedures.

3.21. Concessionaire-Owned Amusement, Music, and Vending Machines. The RMFC, BRF Manager, or CWF Custodian, as appropriate, specifies the merchandise, key and cash controls, and cash collection procedures for all concessionaire-owned machines. All machines require written contracts and control procedures as specified in AFMAN 34-212.

3.22. Prenumbered Forms. The activity manager develops, and the RMFC or designee approves, OIs for controlling prenumbered forms that the installation issues to the activity. See AFMAN 34-212 for a list of controlled forms and required control procedures.

3.23. SV Coupon Controls. The SV commander or director approves the use of and sets the value for all SV coupons. See AFMAN 34-212 for controlling coupons.

3.24. Contract Airline Meal Vouchers. Installations with regular scheduled contract airline traffic establish a memorandum of understanding (MOU) between the SV and the airlines for the use of meal vouchers the airlines issues. The MOU establishes all requirements and stipulations for using meal vouchers. The controls, administration and processing of the vouchers is the same as for other coupons. The NAF AO processes the vouchers as an accounts receivable charged to the airlines.

3.25. Token System. When the SV commander or director approves a token system for clubs, the club counts, reports, and controls them the same as cash. Do not use tokens as a means to purchase merchandise or service from a concessionaire, or for tips, gratuities, or payment of dues. For additional controls and safeguards see AFI 34-115, *Air Force Club Program*. Activities account for tokens on stock records (computerized or manual) and place a new series of tokens in use at least annually. Keep separate records by series.

3.26. Trading Stamps and Bonus Gift Coupons (BGC). Whenever possible, the receiving NAFI redeems stamps or BGCs, received in connection with a purchase made by appropriated funds, for cash. Send these funds to the local FSO for deposit according to AFR 177-101, *General Accounting and Finance Systems at Base Level*, and apply as a refund against the disbursement made to purchase the goods or services. When redemption is not possible the NAFI sends unredeemed stamps or BGCs to the custodian for use by Morale, Welfare, and Recreation Fund (MWRF) activities. See AFMAN 34-212.

3.27. Gift Certificates. Customers purchase gift certificates to redeem for goods and services. Gift certificates are not coupons. Distribute them at face value. See AFMAN 34-212 for controlling gift certificates.

3.28. Tickets and Prepaid Admissions. Theme park tickets, advance green fee cards, rounds played cards, and similar instruments, are controlled forms. The RMFC and activity manager develop local procedures for protecting unused stocks and maintaining accountability for ticket sales. As a minimum, pre-number these instruments and ensure they are not easily reproduced. The activity uses the instrument number to record sales.

3.29. Travel and Transportation Bonuses. Individuals receiving bonuses in conjunction with temporary duty (TDY) travel, such as a tangible article (clock radio, bag, golf balls, etc.) trading stamp discount document, or other ticket, must turn them in to the NAF AO or RMFC. The NAF AO or the RMFC gives the traveler a receipt for the tangible item and places it in an appropriate SV activity for use by authorized participants. The NAF AO accounts for tangible items according to their value and their expected useful life. The NAFI uses any coupons, discount tickets, etc., awarded to help defray the cost of future NAF travel. Travelers may enroll in **frequent flyer** or other mileage-accumulation programs. Travelers on official business may use mileage credits earned during official travel for upgrades to premium-class other than first-class, (e.g., upgrade from coach to business-class or any other class which is lower than first-class). Federal regulation prohibits use of frequent flyer benefits accumulated while traveling on official business to upgrade to first-class air accommodations.

Chapter 4

CONTROL OF MERCHANDISE AND PROPERTY

4.1. Merchandise and Property. All members of the SV organization protect NAF assets under their control. The RMFC, or other authorized custodian, Security Police, and other responsible agencies provide staff and operational assistance as required. See AFMAN 34-212 for specific procedures for controlling merchandise and property.

4.2. Protection of Resale Merchandise. Base the degree of security afforded resale merchandise generally depending upon the size of the inventory, value of the individual items, accessibility of the merchandise to patrons, limitations of visual surveillance, sensitivity of resale items (firearms, liquor, etc.) and the physical characteristics of the facility. See AFMAN 34-212 for specific control procedures.

4.3. Consignment Inventory. Consigned merchandise is not NAF property. Activities account for these items as resale merchandise inventory and protect them according to AFMAN 34-212.

4.4. Ticket and Tour Operations. These operations often maintain a substantial inventory of tickets, either on consignment or purchased with NAFs, which must be protected. See AFMAN 34-212.

4.5. Control and Use of Free or Donated Items. The SV commander may accept free or donated items of nominal value to give away to SV customers as a sales promotion. The SV commander or director approves procedures for controlling and utilizing free or donated items. See AFMAN 34-212.

4.6. Central Storeroom Facilities. The SV commander or director may establish a central storeroom in a secured facility to receive and distribute common supplies and merchandise to various activities. See AFMAN 34-212.

Chapter 5

AIR FORCE SLOT MACHINE PROGRAM OPERATION

5.1. Controls and Procedures. All activities with slot machine operations must implement and strictly follow HQ AFSVA developed internal control procedures to protect the integrity of the slot machine program. See AFMAN 34-129, *Slot Machine Controls and Procedures*, and AFMAN 34-212.

5.2. Waivers. The Air Force Services Agency Directorate of Programs, (HQ AFSVA/SVP) and HQ AFSVA/SVF approve, or disapprove, in writing, all waivers to established policy and internal control procedures for the slot machine program.

5.3. Implementation Authority. HQ AFSVA/SVP controls the operation and purchase of slot machines for the Air Force. Bases must not purchase slot machines or otherwise acquire them without their specific written approval. See AFMAN 34-129, *Slot Machine Controls and Procedures*, and AFMAN 34-212.

5.4. Slot Machine Key Controls. Activities with slot machines must implement and follow HQ AFSVA/SVP established slot machine key controls. Failure to adhere to these controls subjects cash to unnecessary risks and violates the integrity of the slot machine program. See AFMAN 34-129 for specific key controls.

5.5. Replacement Locks and Keys. Slot machine locks and keys may be replaced by HQ AFSVA/SVPCA. Follow the procedures outlined in AFMAN 34-129.

5.6. Forms Used for Control. Control of the slot machine program requires all activities use the forms prescribed in this instruction to control cash and receipts, and the following forms prescribed in AFMAN 34-129.

- AF Form 145, **Certificate of Destruction of Material**
- AF Form 1297, **Temporary Issue/Receipt**
- AF Form 1401, **NAF Petty Cash/Refund Voucher**
- AF Form 2432, **Key Issue Log**
- AF Form 2534, **NAF Property Disposal/Transfer Receipt**
- AF Form 2539, **NAF Disbursement Request**
- AF Form 2557, **NAF Cash Receipt Voucher**
- Form 262A (NAF), **Slot Machine Malfunction Payment**
- Form 268 (NAF), **Slot Machine Collection Report**
- Form 269 (NAF), **Slot Machine Maintenance Log**
- Form 271 (NAF), **Slot Machine Maintenance Record**

5.7. Slot Machine Change Fund. The RMFC establishes a slot machine change fund for slot machine operations according to AFMAN 34-129. Activities use this fund for:

- Initial hopper fills.

- Providing coins for play.
- Filling and refilling coin hoppers.
- Accommodating malfunction payouts.
- Turning in of coins from spontaneous payouts.
- Ineligible jackpots.
- Hopper empties.
- Maintenance testing.

5.8. Coin Counter. To avoid manual counting of coins, activities with slot machines should use a mechanical coin counter.

- The activity manager or designee verifies the accuracy of the coin counter before each use. Develop local procedures based on the denomination of coin counter to verify its accuracy each time it is used.
- Accomplish coin counting in a secure area only.
- Collect all coins from the machines and move them in containers to an area designated to perform the coin count. Perform the count in a game room only if the room is secure. Limit room access to authorized persons during the count.
- The independent observer (IO) must observe the counting of all coins collected from the slot machines.
- Do not leave coins unattended.

5.9. Hopper Coins. The cashier uses AF Form 1401 to record the amount of the standard load obtained from the slot machine change fund. Follow controls and procedures in AFMAN 34-129 for documenting initial hopper fills, turn-ins, and refills.

5.10. Cash Collection From Slot Machines. The IO ensures cash collection procedures comply with AFMAN 34-129. The IO verifies all meter readings, completes the Slot Machine Collection Report, and forwards it to the NAF AO.

5.11. Maintenance Reports. The maintenance technician completes the Slot Machine Maintenance Log when performing machine maintenance.

5.12. Collection Reporting. Using the Slot Machine Maintenance Log, the Slot Machine Collection Report, and change fund documentation evidencing receipts or payments, the NAF AO verifies and prepares collection data to transmit to HQ AFSVA/SVPCA. See AFMAN 34-212.

5.13. Suspected Cash Losses. The NAF AO flags any machine that has a cash collection difference in excess of \$5 per cash collection for nickels, and \$10 for quarters, and identifies unfavorable trends. See AFMAN 34-129 for specific guidance concerning cash variances. Resolve losses according to [6.6](#) of this instruction.

Chapter 6

LOSSES AND COLLECTION ACTIONS

6.1. Definition of Loss. A loss occurs when NAF assets (including cash or cash equivalents, fixed assets, resale merchandise, consumable supplies, and securities) are lost, destroyed, damaged, or have to be paid out as a result of a natural disaster, accident, unexplained disappearance, or acts of individuals, firms, or groups. In addition, the following situations are considered **losses** for the purposes of this chapter.

6.1.1. Consider any unreconciled asset, liability, or equity account to be a loss if the adjustment required to bring the general ledger and related subsidiary accounts into balance results in a decrease to fund equity. For example, an unreconciled balance between cash-in-bank and Cash Management Investment Program (CMIP) reports at the end of any given accounting period should be investigated if the unreconciled amount cannot be resolved.

6.1.2. Claims submitted under the following NAF insurance programs are considered losses:

- Asset.
- Liability.
- Aero club hull.
- Aero club liability.

6.2. Basis For Loss. A loss may be the result of simple negligence, gross negligence, or willful misconduct on the part of individuals or groups.

6.2.1. Simple Negligence. Failure to act as a reasonably prudent person would have acted under the same or similar circumstances.

6.2.2. Gross Negligence. Failure to exercise even a slight degree of care, or an extreme departure from the course of action expected of a reasonable person, all circumstances considered.

6.2.3. Willful Misconduct. An intentional or knowing violation of rules or regulations including fraud and dishonesty.

6.2.4. Joint and Several Liability. The combined negligence, gross or simple, or willful misconduct of two or more persons which results in a loss. They may be held jointly and severally liable for the full amount of any loss. If the loss resulted from the willful misconduct of one or more persons and the negligence of another or others, all may be held jointly and severally liable. In all other cases, assess liability on an individual basis.

6.2.5. Proximate Cause. Proximate cause is that cause which, in a natural and continuous sequence, unbroken by any new cause, produces the loss, and without which the loss would not have occurred. To support an assessment of pecuniary liability, the negligence or willful misconduct involved must constitute the proximate, rather than a remote, cause of the loss.

6.3. Reporting Losses. All Air Force military and civilian personnel have an individual responsibility for preventing losses, and, when a loss occurs, promptly notifying the proper authorities. Commanders are responsible for prompt detection, proper investigation, and appropriate corrective action. Individuals reporting nonappropriated fund violations are protected from reprisal.

6.3.1. Notify the security police, the RMFC, and the SV commander or director of any type of loss resulting from forceful entry, or malicious damage to NAF property, as soon as discovered. The security police may investigate such incidents or refer them to the Air Force Office of Special Investigations (AFOSI) according to AFI 71-101, *Criminal Investigations, Counterintelligence, and Protective Service Matters*.

6.3.2. Notify the Air Force Office of Special Investigations, (AFOSI) of incidents that appear to involve criminal activities.

6.3.3. Notify the MAJCOM/SV and HQ AFSVA/SVF of any unreconciled balances between cash-in-bank and the Cash Management Investment Program (CMIP) at the end of any given accounting period. Notify AAFCWF, 21 Army, Pentagon, Washington DC 20310-0021 of unreconciled balances to the BRF or CWF.

6.3.4. Provide notification of losses resulting in claims under the insurance program according to AFI 34-208 , *NAF Property and Casualty Insurance*.

6.4. Determining Value. Use actual cash value to determine the amount of a loss. The value of a NAF property loss is the original cost less depreciation; the book value of the asset. Compute the value of resalable inventories and supplies at cost or replacement value, whichever is less. Where more than one item is involved, use the collective (total) amount of the loss as the basis for action under this chapter. See AFI 34-208 to value insurance claims.

6.5. Documenting Losses. Document each loss, even those caused by acts of nature. Include sufficient information to show what happened, who was responsible, what should be done about it, and how to prevent similar losses in the future. It is not necessary to duplicate the investigative work of the Security Police, AFOSI, or other federal and local agencies. Security Police reports may become part of the services case file. Do not include AFOSI reports of investigation in the case file; use extracts and summaries according to AFI 71-101. Comply with all restrictions and instructions that may be placed on the investigative reports of other federal and local agencies. Since the investigative reports you receive will focus on criminal allegations, conduct other inquiries as necessary to determine the administrative actions needed to reduce the potential for future losses.

6.6. Resolving Losses:

6.6.1. For losses up to and including \$50, the activity manager conducts an informal review, documents the results, and with the written approval of the RMFC, files the documentation in the activity. If the review indicates negligence (simple or gross) or willful misconduct, the activity manager notifies the RMFC and the SV commander or director immediately so further action may be taken. The RMFC reviews activity records periodically, documents the review, and determines if appropriate action was taken. If not, the RMFC refers the matter to the SV commander or director for further action.

6.6.2. For losses over \$50 up to and including \$250, the activity manager conducts a review and provides a brief written explanation to the RMFC. Use a memorandum attached to the cashier's report for cash shortages. If the review indicates negligence (simple or gross) or willful misconduct, the activity manager notifies the SV commander or director immediately to take further action.

6.6.3. For losses over \$250 up to and including \$1,000, and for losses of \$250 or less which appear to involve negligence or willful misconduct, the SV commander or director appoints an individual to conduct an inquiry. Inquiries are less formal, time consuming, and costly than investigations. The individual conducting the inquiry examines available reports and documents pertinent to the loss, and interviews individuals having knowledge of the circumstances surrounding the loss. Affidavits are not required. The RMFC reviews the report of inquiry for completeness, and submits it to the SV commander or director for action. Refer reports of losses that appear to involve negligence (simple or gross) or willful misconduct through the FM and the legal office to the installation commander for action. The report of inquiry must specifically address the following:

- The nature and amount of loss;
- The date and place where the loss was discovered;
- The circumstances under which the loss occurred;
- The adequacy of corrective actions taken or recommendations for appropriate corrective actions to be taken;
- Any indications of negligence (simple or gross) or willful misconduct, and
- The name, grade, and SSN of the person or persons who caused or contributed to the loss, if known, and an appropriate recommendation to assess or not to assess pecuniary liability. If employed by the Federal Government, also indicate if paid by APF or NAF.

6.6.4. Instead of, or in addition to an inquiry, the installation commander may require an investigation whenever he or she deems such action necessary to protect the interests of the Air Force, or to determine more accurately whether pecuniary liability is properly assessable or claims action is warranted.

6.6.5. For losses which exceed \$1,000, the installation commander appoints an investigating officer, independent of any NAFI under the purview of the NAFs Council, to conduct an investigation. AFOSI agents will not be tasked to conduct an investigation pursuant to AFI 91-202. The investigating officer complies with the investigative guidance provided in *AFI 91-202, The Inspector General Complaint Program*. Conduct investigations as expeditiously as possible to allow the commander to act on the completed report within 60 days after discovery of the loss. If extenuating circumstances make it impossible to meet this deadline, the investigating officer submits an interim status report to the commander not less than 5 days before the end of the 60-day period. Provide a copy of the interim report to the RMFC. The report of investigation must specifically address the elements in [6.6.3](#). The RMFC reviews the report of investigation for completeness, and submits the report through the SV commander or director, the FM, and the legal office, to the installation commander for action.

6.7. Recommendations to Assess Pecuniary Liability. Reports of inquiry and investigation must identify, to the extent practical, those whose actions caused or contributed to the loss, and make specific recommendation as to whether or not the commander should hold them financially responsible for the loss and damages. Prepare recommendations within these guidelines.

6.7.1. A military member of the uniformed services or a civilian employee of the Federal Government (APF or NAF), may be held pecuniarily liable for a loss caused by his or her gross negligence or willful misconduct. In cases where gross negligence or willful misconduct is found, involuntary collection from pay cannot exceed total liability.

6.7.2. In addition to the above, NAFI-assigned or employed personnel on duty (including military assigned, and APF and NAF employees) may be held pecuniarily liable for any loss caused by their

simple negligence. In cases where simple negligence is found, limit involuntary collection from pay to one month's base pay.

6.7.3. Aero club members may also be held pecuniarily liable for any loss caused by their simple negligence. Limit liability for aero club members, based on their simple negligence, to \$500.

6.7.4. When a loss is caused by individuals, firms, or groups other than those identified above, the Staff Judge Advocate (SJA) uses gross or simple negligence, willful misconduct, or any other conduct creating liability recognized by the civil jurisdiction in which the loss occurred, as the basis for claims action under AFI 51-502, *Personnel and Government Recovery Claims*.

6.7.5. Government employees (including assigned military personnel, APF civilians, and NAF civilians) cannot be assessed pecuniary liability for NAFs paid out to satisfy third-party claims resulting from their conduct while acting within the scope of their federal offices or employment (28 USC 2679 (b)).

6.7.6. Limit assessments of joint and several pecuniary liability cases where the loss resulted from the combined action or inaction of two or more persons.

6.7.7. When the investigating or inquiring officer intends to recommend assessment of pecuniary liability, he or she advises each named person of the basis on which he or she may be held pecuniarily liable. Each person is also advised that he or she may submit any matters in mitigation or defense. The investigating or inquiring officer reviews all facts and circumstances, including any matters in mitigation or defense, and includes them in the report of investigation with appropriate recommendations for action by the installation commander.

6.8. Action by the Commander. Submit completed reports through the FM and SJA to the installation commander for action. The installation commander carefully reviews and acts on each report, takes proper action with respect to those who caused or contributed to the loss, and implements corrective measures to reduce the potential for recurrence.

6.8.1. Commanders have a wide range of options in dealing with such matters. Do not overlook the normal range of administrative and disciplinary actions described in personnel policy directives and instructions. Additional training and more clearly defined procedures may also be of value in reducing the potential for recurrence.

6.8.2. Where appropriate, the installation commander assesses pecuniary liability. Advises the person held pecuniarily liable of his or her appeal rights as prescribed in [6.9](#). Notifies all persons held jointly and severally liable that they remain individually liable for the total uncollected amount until the entire amount of the loss is paid. In the interest of fairness, those responsible for collections should generally attempt to collect an equal part from each person held liable. When such attempts fail, collection in full is made from that person or those persons who are liable and from whom collection can be made.

6.8.3. When the loss results from negligence or willful misconduct of a military member of the uniformed services, or a civilian employee of the Federal Government, the installation commander refers the file to the RMFC. The RMFC takes collection action, where appropriate, according to [6.10](#).

6.8.4. When the loss was caused by any other person's negligence, willful misconduct, or any other conduct creating liability recognized by the civil jurisdiction in which the loss occurred, the installation commander refers the file to the servicing SJA for appropriate claims action under AFI 51-502.

6.9. Appeals of Assessments of Pecuniary Liability. Military members or civilian employees of the Federal Government (APF or NAF) may appeal the assessment of pecuniary liability.

6.9.1. Submit appeals within 3 months of the assessment to the installation commander who assessed pecuniary liability, or his or her successor. State specifically the alleged errors or irregularities relied upon by the appellant.

6.9.2. The installation commander furnishes one copy of the appeal file to the appellant's paying office responsible for processing the indebtedness. The paying office files the copy of the appeal file with the indebtedness notice and suspends collection action until a final decision on the appeal has been made. *See AFMAN 177-373 , volume I Joint Uniform Pay System, JUMPS AFO Procedures,* for exception.

6.9.3. Upon receiving an appeal, the installation commander verifies the facts contained in the appeal to the extent possible, secures a legal review and opinion on the appeal, and reconsiders the assessment action giving full consideration to the matters presented in the appeal. The installation commander then revokes or sustains the assessment action, or requires further inquiry or investigation, and resubmission of the report.

6.9.3.1. If further inquiry or investigation is required, the installation commander secures a legal review and opinion on the revised report and appeal, reconsiders the assessment action, again giving full consideration to the matters presented in the appeal, and either revokes or sustains the assessment action.

6.9.3.2. If the installation commander revokes the assessment action, he or she informs the appellant, and notifies the paying office to refund all previous collections.

6.9.3.3. If the installation commander sustains the assessment action, he or she forwards the appeal to the MAJCOM/SV. The MAJCOM/SV secures a legal review and opinion on the appeal file, prepares a memorandum recommending approval or disapproval of the appeal, and submits the following to Office of Legal Counsel, (HQ AFSVA/SVL), 10100 Reunion Place, Suite 503, San Antonio TX 78216-4138:

- The memorandum.
- The MAJCOM/JA legal review.
- The appeal.
- The base-level JA review.
- The assessment of pecuniary liability.
- The report of inquiry or investigation.
- Any other documentation considered pertinent to the assessment and appeal.

6.9.3.4. After review of the appeal file, HQ AFSVA/SVL forwards it to the AFSVA Commander for action.

6.9.4. The decision of the AFSVA Commander, on the appeal is final. The AFSVA Commander may approve, disapprove, or modify the assessment action, or return the file for further inquiry or investigation or analysis. The AFSVA Commander notifies the appellant of the decision on the appeal through command channels, and instructs the appellant's paying office to refund previous collections or to resume collection action, as appropriate.

6.9.5. Send appeals involving losses by BRFs and CWFs through channels to the AAFCWF, for a legal opinion and a final decision.

6.10. Collection Actions. The RMFC immediately initiates the collection process on all losses where the installation commander assesses pecuniary liability.

6.10.1. The RMFC actively pursues restitution from individuals assessed pecuniary liability for all losses including those covered by the Air Force Insurance Fund. The NAF AO establishes a claim against the responsible person, sets up a file for all pertinent documents, and:

- Notifies the Directorate of Force Management and Personnel, Casualty and Unemployment Branch, (HQ AFSVA/SVXCC), 10100 Reunion Place, Suite 502, San Antonio TX 78216-4138, that the individual responsible for the claim intends to make restitution.
- Forwards all payments to offset the payment made from the Air Force Insurance Fund immediately upon receipt to The Directorate of Financial Management and Comptroller, Budget Division (HQ AFSVA/SVFR), PO Box 301, Randolph AFB TX 78148-0301.

6.10.2. Upon notification from HQ AFSVA/SVXCC to expect restitution of the claim, The Directorate of Financial Management and Comptroller, Agency Accounting Division (HQ AFSVA/SVFF), establishes a receivable in the accounting system for the amount owed, and keeps HQ AFSVA/SVXCC advised of payment status.

6.10.3. RMFCs may also use collection actions in this chapter for delinquent accounts, dishonored checks, and other debts that this instruction does not consider as losses. See AFI 34-209, *NAF Financial Management and Accounting*, and AFMAN 34-212 for prescribed actions regarding delinquent accounts receivable and dishonored checks. Follow those procedures first, before taking further action under this chapter.

6.10.4. The servicing SJA pursues claims action against parties other than members of the uniformed services and employees of the Federal Government. The RMFC establishes a claim file and tracks restitution in these cases as well.

6.10.4.1. SV must give the debtor the opportunity to voluntarily pay the debt (see AFI 34-209).

6.10.4.2. If the debtor does not voluntarily pay the debt, the RMFC personally reviews and verifies the accuracy and validity of the debt from an administrative viewpoint, and takes collection action on the indebtedness according to this chapter.

6.10.4.3. If the debtor disputes the validity of the debt, he or she may submit an appeal through the RMFC and the SV commander or director to the installation commander. The appeal includes details of the case and any appropriate background documents. When a debtor submits an appeal, the RMFC suspends collection until the installation commander determines the outcome of the appeal. This limitation does not apply when the individual involved is an employee who the commander expects to terminate his or her employment (voluntarily or involuntarily). In any such case, follow the procedures in [6.13](#).

6.10.4.4. The installation commander has the authority to render final decisions on appeals involving claims of \$5,000 or less. Retain copies of all decisions in the LOF file of the NAFI involved. The installation commander has 15 calendar days from receipt of the appeal to render a decision. Forward all appeals of claims over \$5,000 through command channels to HQ AFSVA/SVL for further review and recommendation to the AFSVA Commander.

6.11. Claims Covered by Commercial Insurance. Claims asserted against a person for any conduct causing a loss covered by commercial insurance, require the RMFC to:

- Furnish the insurance company a preliminary notification of the loss involved. Furnish proof of the loss under the terms of the insurance contract. **EXCEPTION:** Report a commercially insured loss of the Army and Air Force Exchange Service as required by AFJI 34-210 , *Army and Air Force Exchange Service (AAFES) Operating Policies*, and AFJI 34-211 , *Army and Air Force Exchange Service (AAFES) General Policies*.
- Notify the insurance company of any collections made that reduce the final liability of the company.

6.12. Claims Involving Military Members or Federal Government Employees.

6.12.1. When initiating collection action for losses or indebtedness, including returned checks, caused by a member (or family member) of the uniformed services or an employee of the Federal Government, the RMFC:

6.12.1.1. Forwards a statement of account with a request for payment to the person held pecuniarily liable. Uses certified mail, return receipt requested, or personal delivery for accountability, to ensure the availability of proof of collection efforts.

6.12.1.2. Offsets as much of the claim as possible. If a NAF employee was responsible for the loss or indebtedness and does not settle the claim outright, the RMFC authorizes payroll deductions, not to exceed one-fourth of gross pay due or to become due the employee from the NAFI. See [6.13](#) for indebtedness collection procedures, and AFMAN 34-310, *NAF Personnel Program Management and Administration Procedures*, to determine whether disciplinary action against a NAF employee is appropriate.

6.12.1.3. Forwards the claim, if a civil service employee responsible for the loss or indebtedness does not settle the loss or indebtedness outright or grant written consent for a deduction from his or her pay, to the Civilian Personnel Flight (CPF) servicing the employee for action under AFI 36-703 , *Civilian Conduct and Responsibility*. See AFMAN 34-212 for further instructions regarding civilian employees.

6.12.1.4. Contacts the individual by telephone (when practical) and by a written demand for payment if a member of any military service was responsible for the loss or indebtedness. If the individual does not settle the loss or indebtedness outright, or grant written consent to a deduction from his or her active or retired pay, follow the collection procedures specified in AFMAN 34-212.

6.12.2. The RMFC may not involuntarily withhold money from an SV customer for amounts due NAFIs resulting from debts incurred, or dishonored checks negotiated, by the customer's family members or guests. This is true even for a dishonored check drawn on the customer's joint checking account. However, a deduction from pay, or other monies due the customer can be made when he or she provides an appropriately worded consent agreement. The Financial Services Office (FSO) requires consent agreements only when the debt incurred is by a family member or guest of the military member. Attach a copy of the consent agreement to the DD Form 139, **Pay Adjustment Authorization**, before forwarding to the FSO. See AFMAN 34-212 for additional instructions regarding consent agreements.

6.13. Collection of Overpayments from NAF Employees. The RMFC may deduct money from the pay of NAF employees without their consent to satisfy debts to their employing NAFIs arising out of erroneous or excessive payments of wages, allowances, differentials, or benefits. This also includes the value of annual and sick leave advanced under AFMAN 34-310, but not earned or otherwise repaid, when the employee retires, resigns, or is otherwise separated.

6.13.1. See AFMAN 34-212 to collect employee overpayments resulting from:

- Payroll and entitlement errors made within the activity or NAF AO.
- Administrative or managerial error.
- Erroneous information received from the employee.

6.13.2. If the employee doubts the validity of an indebtedness, or believes the amount or method of collection creates an unreasonable hardship, the employee may, within 15 calendar days of receipt of the letter advising of the overpayment, exercise one of the following options:

- Request a review of the debt or the collection method under this [6.13.2.](#) or,
- Use any negotiated grievance procedure available.

6.13.3. The employee submits a request for review through the RMFC and the SV commander or director, to the installation commander. Include details of the case and any appropriate background documents. The installation commander evaluates each request in a manner that assures the application of equity and good conscience. Upon receipt of a request for review or a negotiated grievance, the RMFC suspends collection of the overpayment until notified of the installation commander's decision. **EXCEPTION:** This suspension of payment does not apply when the employee is expected to terminate his or her employment (voluntarily or involuntarily). In any such case, follow the collection procedures in AFMAN 34-212.

6.13.4. The installation commander has authority to render final decisions on requests for review under [6.13.3.](#) The RMFC retains copies of all decisions in the LOF file of the NAFI. Except in unusual circumstances (documented in the file), the installation commander should render a decision within 15 calendar days from receipt of the review request.

6.13.5. A valid NAFI claim resulting from an erroneous payment of wages, allowances, differentials, or benefits may be waived or compromised when the erroneous payment was made through administrative error, and:

- There is no indication of fraud, misrepresentation, fault, or lack of good faith on the part of the requesting employee, and
- The debtor is incapable of paying both now and in the foreseeable future, or
- The debtor cannot be located, or
- The cost of recovery will exceed the expected recovery, or
- The claim is not legally supportable, or
- Available evidence does not substantiate the claim.

6.13.6. The installation commander approves waivers for claims involving \$1,000 or less. The installation commander must carefully consider all of the information available and each element of the waiver criteria. For example, even though a waiver seems justified for an erroneous payment due to an administrative error when there is no indication of fraud, misrepresentation, fault, or lack of good

faith on the part of the NAF employee, the criterion involving the debtor's ability to pay now or in the foreseeable future is a factor of importance.

6.13.6.1. Overpayments represent assets that rightfully belong to a NAFI. Unless the requesting employee provides sufficient information or evidence to support a reasonable conclusion that he or she is incapable of repaying both currently and in the foreseeable future, his or her request should be denied.

6.13.6.2. Accordingly, encourage employees to provide as much pertinent information as possible to ensure their requests have a fair chance of approval. Do not impose undue financial hardships in requiring repayment of funds. However, bear in mind that recipients of overpayment have received NAF assets to which they are not entitled. The effect is a negative impact on the availability of NAFs for their intended purposes.

6.13.7. The installation commander forwards requests for waiver of claims involving more than \$1,000 through channels to

HQ AFSVA/SVL for further review and recommendation to the AFSVA Commander; or the Board of Directors, AAFCWF, as appropriate for final decision.

6.14. Garnishment of Pay. Federal pay (including pay of NAF employees) is subject to garnishment under Public Law 93-647, as amended by Public Law 95-30, and under Public Law 103-94. Implementing regulations are in 5 C.F.R. 581 and 582. Prior to 3 February 1994, federal pay could only be garnished under this statutory authority for enforcement of legal obligations to provide child support or make alimony payments. Effective 3 February 1994, pay of federal employees can be garnished the same as pay of any non-federal individual.

6.14.1. Legal processes that involve the garnishment of pay of Air Force NAF employees must be served on HQ AFSVA/SVL, 10100 Reunion Place, Suite 503, San Antonio TX 78216-4138 (telephone (210) 652-7051, DSN 487-7051). Accomplish service only by certified or registered mail, return receipt requested, or by personal service.

6.14.2. Any federal employee receiving such process in the course of his or her duties pertaining to a NAF employee, which was served by certified or registered mail, return receipt requested, or by personal service, must immediately forward it to HQ AFSVA/SVL. Ensure the forwarding correspondence identifies the named employee's employing NAFI (e.g., the Randolph AFB Morale, Welfare, and Recreation Fund), and forward all documentation received and the envelope in which it was received. Service of process is not considered accomplished until HQ AFSVA/SVL receives it.

6.14.3. If a NAF employee questions the validity of a legal process, the employee must challenge it in the appropriate court. The Air Force will not litigate or otherwise judge the validity of any such challenge.

6.14.4. Any legal process must contain the name of the employee and the employee's SSN. Deliver any process received without sufficient information to identify the employee to the servicing SJA for return directly to the issuing authority with an explanation of the deficiency.

6.14.5. Upon receipt of a properly served, valid legal process, HQ AFSVA/SVL advises the employee's NAF payroll office of the amount to be garnished and provides that office a copy of the legal process. The employee's NAF payroll office complies with HQ AFSVA/SVL's pay withholding instructions upon receipt.

6.15. Withholding of Pay and Allowances. The AF may withhold pay and allowances from civilian employees as prescribed in AFMAN 34-310. When a consent statement is available and all collection attempts have failed, the RMFC processes the indebtedness to the respective payroll office for collection from the individual's federal pay.

6.16. Uncollected Losses or Indebtedness. When it is reasonably certain that losses or indebtedness cannot be collected through the above procedures within 120 days, (except when an appeal is pending), the RMFC notifies the NAFI activity manager that the claim is uncollectible and writes it off. The RMFC approves write offs of \$1,000 or less. The installation commander approves write offs of more than \$1,000. The RMFC documents write offs of losses and indebtedness according to AFI 34-209.

6.16.1. If none of the above procedures results in collection of the loss or indebtedness, the RMFC seeks counsel from the servicing SJA on uncollected losses or indebtedness of more than \$100 but less than \$600 and determines whether to pursue further administrative action.

6.16.2. Prior to transfer of accounts, the NAF AO sends a final debt notice to the debtor's last known address. Ensure the letter informs the debtor that unless the NAF AO receives full payment of the entire outstanding balance within fifteen (15) days of the date of the final notice, that their delinquent account or dishonored check or checks will be referred for collection. The RMFC forwards all pertinent facts and documents and evidence of collectability, if available, as follows:

- Send all eligible accounts under \$600 to HQ AFSVA/SVFA for forwarding to the private collection agency contractor that AFNAFPO awards the Debt Collection Contract. The Debt Collection Contract specifies accounts eligible for transfer. Try to send accounts that are not more than 180 days delinquent, as experience indicates that collection of older accounts is less successful.
- Send claims arising out of activities of AAFES to the Commander, Army and Air Force Exchange Service, Attn: AAFES/CM, Dallas, Texas 75222.
- Send claims exceeding \$600 arising in the United States, its territories and possessions, the District of Columbia, and Puerto Rico, other than those of AAFES, to the servicing SJA for further collection assistance or further forwarding to HQ AFSVA/SVL.

6.16.3. For claims of \$600 or more other than those stated above:

6.16.3.1. If the RMFC does not expect the debtor to return to the United States, its territories and possessions, the District of Columbia, or Puerto Rico, he or she provides the case file to the servicing SJA. The SJA forwards it to the MAJCOM SJA of the overseas command in which the debt arose, to review and determine whether to pursue further administrative collection action. The MAJCOM SJA takes any further administrative collection action. If such action fails, or if the MAJCOM SJA deems further administrative collection action is inappropriate, he or she forwards the case file to HQ AFSVA/SVL along with recommendations for disposition.

6.16.3.2. If the debtor has returned to the United States, its territories or possessions, the District of Columbia, or Puerto Rico, or is expected to do so shortly, the RMFC sends all pertinent facts and the case file to the servicing SJA for forwarding to HQ AFSVA/SVL.

6.16.4. Consolidate debts for individual(s) with other government agencies. Under the provisions of AFI 51-301, *Civil Litigation*, HQ AFSVA/SVL may submit aggregate totals of \$600 or more to the United States Attorney for collection. The RMFC submits request for collection through the servicing SJA to HQ AFSVA/SVL.

6.17. Claims Arising Out of Contract Arrangements. The RMFC refers all claims to the contracting officer for appropriate action. Adjudicate and settle claims arising out of contract arrangements (e.g., contracts, leases or purchase orders), either for or against a NAFI ,using the procedures provided by the disputes clauses in the contracts. ***EXCEPTION:*** In cases where established procedures do not apply to certain types of claims arising out of NAFI operations, the contracting officer submits the case through channels to the AFSVA Commander for resolution, or the AAFCWF, as appropriate. See AFI 64-301, *NAF Contracting*).

Chapter 7

CENTRAL CASHIER OPERATION

7.1. Function of the Central Cashier. Each base must establish a central cashier unless local circumstances justify a waiver of this requirement. HQ AFSVA/SVF approves waivers. The RMFC ensures the central cashier operation provides a one-stop service for base activities and NAFIs to make deposits, obtain change funds, and turn in daily paperwork. The BRF Manager may establish a separate central cashier for BRF operations. Within this chapter, BRF Managers perform the duties and responsibilities of the RMFC for BRF central cashier operations.

7.1.1. Use the central cashier operation to:

- Centralize control to increase efficiency
- Save valuable time
- Decrease the amount of banking transactions
- Increase internal control by ensuring receipts from all activities are deposited in a timely manner
- Consolidate receipts into one deposit for each NAFI for deposit at the banking facility.

7.1.2. The central cashier is not a check cashing facility for individuals.

7.1.3. The RMFC notifies HQ AFSVA/SVF through the MAJCOM prior to implementing a central cashier operation to establish appropriate accounting and banking arrangements.

7.2. RMFC Responsibilities. The RMFC:

- Establishes internal control procedures.
- Provides operational OIs for the central cashier that ensure required separation of responsibility according to generally accepted accounting principles.
- Establishes a schedule to conduct internal management control reviews.
- With the cooperation of the security police, develops anti-robbery training procedures.

7.2.1. The RMFC, with the activity managers, establishes a schedule of activity central cashier deposits. The schedule should consider the work load of the activity and the NAF AO, and the hours of operation of the local financial institution. The RMFC:

- Ensures central cashier hours correspond to the normal work hours for the installation, and are responsive to the needs of the activities.
- Gives consideration to recirculating cash when establishing a schedule. For example, SV cash producing activities should turn in their receipts first; clubs, as cash users, should turn in their receipts last.

7.2.2. The RMFC, or designee, conducts quarterly surprise cash counts of the central cashier.

7.2.3. The RMFC, or designee, ensures the level of funds the central cashier maintains meets the needs of the activities and at the same time retains a minimum balance in the central cashier fund.

7.2.4. The RMFC or designee approves purchases of cash from outside sources.

7.2.5. Daily, the central cashier counts the amount of cash and negotiable instruments physically present in the central cashier office using AF Form 2556 and submits it to the NAF AO along with AF Form 1877, **NAF Central Cashier Control Log**.

7.3. Central Cashier Responsibilities. The RMFC designates central cashier responsibilities including:

- Receipting for funds and AF Form 1878, **Central Cashier Deposit Receipt** from all NAF revenue producing activities
- Consolidating all funds into one deposit
- Issuing and replenishing change funds
- Issuing RMFC authorized change fund increases for paydays, holidays, and special events.
- Depositing all checks and excess cash with the servicing financial institution daily. See AFMAN 34-212.

7.4. Activity or General Change Fund Cashier. This cashier:

- Balances daily receipts on AF Forms 1875, or POS generated cashier reports
- Prepares AF Forms 1876 and 1878, and
- Turns in all cash receipts and AF Form 1878 to the central cashier or designated night depository according to the established schedule. See AFMAN 34-212 for procedures.

7.5. NAF Accounting Office Responsibilities. NAF accounting office personnel (other than the central cashier):

- Report deposits through CMIP
- Post revenues to the general ledger, and
- Perform various reconciliation and validation functions associated with revenue processing. See AFMAN 34-212.

Chapter 8

INTERNAL MANAGEMENT CONTROL (IMC) PROGRAM

8.1. Background. All Air Force organizations must use a cost-effective IMC program to protect resources. See AFPD 65-2, *Internal Management Controls*, and AFI 65-201, *US Air Force Internal Controls*. Internal control is a plan of organization and all of the methods and measures used to:

- Safeguard resources.
- Assure accuracy and reliability of information.
- Assure adherence to applicable laws, regulations and policies, and
- Promote operational economy and efficiency.

8.1.1. Control applies to all aspects that contribute to the existence and well-being of an organization. The organizational structure must provide clear lines of authority and responsibility to ensure no individual controls a transaction from beginning to end.

8.1.2. Commanders and managers at every level of the Air Force must establish, evaluate, improve, and report on internal controls. The MAJCOM/SV, installation commander, or SV commander or director, may direct a local internal management control review in any NAF area.

8.2. IMC Program Responsibilities. SAF/FMPI is the focal point for the Air Force Internal Management Program. SAF/FMPI designates MAJCOM commanders as primary reporting elements and internal control officials according to AFI 65-201. Annually, SAF/FMPI tasks all MAJCOM/CCs, FOA/CCs, DRU/CCs, to prepare and submit the Annual Statement of Assurance.

8.2.1. MAJCOM/CCs identify the assessable units within their command, (e.g. MAJCOM divisions and base installations), to evaluate for the Annual Statement of Assurance, and appoint a focal point to administer the IMC Program. MAJCOM/CCs, through the focal point, ensure that all MAJCOM-level division chiefs and field installation commanders, including SV squadron operations, implement the Air Force IMC Program.

8.2.1.1. If the annual report identifies any SV related weaknesses, the MAJCOM/CC forwards a copy to the MAJCOM/SV and HQ USAF/SV.

8.2.2. MAJCOM/SVs identify the assessable units within their division, and appoint a focal point to administer the IMC Program according to the MAJCOM plan. See AFPD 65-2 and AFI 65-201.

8.2.3. The MAJCOM/SV focal point reviews command and base-level NAFI internal management control reviews (IMCRs) and audit and inspection results. The Annual Statement of Assurance to MAJCOM/CCs includes these reports as supporting documentation.

8.2.4. Installation commanders identify the assessable units within their command (normally squadrons), and appoint an installation focal point (normally the FM) to administer the IMC Program. Installation commanders, through their focal point, comply with all requirements of AFI 65-201 and MAJCOM IMC Program initiatives.

8.2.5. The installation focal point tasks assessable units including squadron commanders (SV/CC), to identify their assessable units (e.g., flight, unit, branch, activity, etc.) and appoint a focal point (this may be the RMFC) to administer the IMC Program. The SV commander also ensures that managers

and NAF AO personnel are familiar with the conduct and ethical standards prescribed by the *Joint Ethics Regulation (JER)* DOD 5500.7.

8.2.5.1. The SV focal point ensures that all activity managers and functional managers of unit-level NAFI operations and functions conduct IMCRs of their assessable units and functions. Each assessable unit uses these IMCRs, audits and inspections as the basis for preparing the Annual Statement of Assurance for their activity or function. Managers may use a comprehensive self-inspection/assessment checklist as an alternative to IMCRs that are not MAJCOM or Air Force directed. See AFI 65-201.

8.2.5.2. The SV focal point prepares and directs periodic professional studies of management procedures and internal controls within SV activities and other NAFIs.

8.2.5.3. The SV focal point reviews all IMCRs including those conducted by the NAFFA.

8.2.5.4. Quarterly, the SV focal point evaluates the number and type (directed, special, and recurring) of reviews performed for the assessable units according to the IMC Program plan (see AFI 65-201) over the prior year.

8.2.6. Activity and functional managers implement internal controls specified in Air Force and MAJCOM directives. Activity and functional managers perform and document a self-inspection/assessment of their activity or function at least annually to determine if required internal control procedures have been implemented and are functioning effectively. If required, implement additional internal controls. Activity and functional managers immediately correct any regulatory compliance deficiencies identified in internal review (IMCR, inspection and audit) reports.

8.3. Internal Management Control Reviews of Off-Base NAF Operations. The RMFC obtains appropriated fund TDY support for the SV focal point to conduct reviews of off-base NAF operations that the local SV squadron supports under a host-tenant agreement. The reviewing team normally includes the SV focal point and any other personnel from within SV operations or the NAF AO to augment the team.

NORMAND G. LEZY, Brig General, USAF
Director of Services

Attachment 1

GLOSSARY OF ABBREVIATIONS AND ACRONYMS

Abbreviations and Acronyms

AAFCWF—Army and Air Force Civilian Welfare Fund

AAFES—Army and Air Force Exchange Service

AFB—Air Force Base

AFFMF—Air Force Financial Management Fund

AFHB—Air Force Handbook

AFI—Air Force Instruction

AFMAN—Air Force Manual

AFMWRAB—Air Force Morale, Welfare, and Recreation Advisory Board

AFNAFPO—Air Force Nonappropriated Fund Purchasing Office

AFPD—Air Force Policy Directive

AFOSI—Air Force Office of Special Investigations

AFSVA—Air Force Services Agency

AFROTC—Air Force Reserve Officer Training Corps

ANG—Air National Guard

AO—Accounting Office

BGC—Bonus gift coupons

BRF—Base Restaurant Fund

CMIP—Cash Management Investment Program

CPF—Civilian Personnel Flight

CWF—Civilian Welfare Fund

DOD—Department of Defense

FM—Financial Manager

FOA—Field Operating Agency

FSO—Financial Services Office

HQ USAF/SV—HQ USAF Directorate of Services

HRO—Human Resource Office

IG—Inspector General

IMC—Internal management control

IMCR—Internal management control review

IO—Independent observer
LOF—Life-of-the-fund
MAJCOM—Major command
MPF—Military Personnel Flight
MPO—Military pay order
MSFC—Membership Support Flight Chief
MWRF—Morale, Welfare, and Recreation Fund
NAF—Nonappropriated Fund
NAFFA—Nonappropriated Fund Financial Analyst
NAFI—Nonappropriated Fund Instrumentality
OI—Operating instruction
POS—Point of sale
RMFC—Resource Management Flight Chief
SAV—Staff assistance visit
SJA—Staff Judge Advocate
SV—Services Squadron
SSN—Social Security number
TDY—Temporary duty
USAF—United States Air Force